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FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC PRIORITY 5562
INFO RUCNCIS/CIS COLLECTIVE
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UNCLAS SECTION 01 OF 02 MOSCOW 005591

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E.O. 12958: N/A
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SUBJECT: ANGARSK INTERNATIONAL URANIUM ENRICHMENT CENTER:
MOVING FORWARD

Sensitive but unclassified; please protect.

Summary

11. (SBU) Russia's plan to establish an international uranium enrichment center in Angarsk (Siberia) -- which stems from a Putin proposal made almost two years ago -- is moving forward. Russian officials and experts are confident in the ability of the Angarsk facility to handle increased demand for enrichment services. Kazakhstan has signed on as a ten percent owner. Russia is approaching other potential partners and consulting on modalities with the IAEA. Embassy has requested to visit the facility in December. End Summary.

Background: A Putin Initiative

12. (U) In January 2006, President Putin proposed the creation of international uranium enrichment centers as a way to allow countries pursuing nuclear power to have increased access to nuclear fuel consistent with nonproliferation goals. In September 2006, Rosatom announced plans for the establishment of such a center at the Angarsk Electrolysis Chemical Combine in Siberia, one of four uranium enrichment facilities operating in Russia. The facility would operate under IAEA safeguards and be open "to all IAEA member states which meet nuclear arms non-proliferation requirements." Following the signature of an intergovernmental agreement between Russia and Kazakhstan, Kazatomprom agreed to assume a ten percent ownership share of the Angarsk center.

TENEX: Looking For More Partners

13. (SBU) On November 16, EST Counselor and DOE Moscow Office Deputy Director met with Aleksey Grigoriev, General Director of the state-owned uranium services company Tenex (which is under the Atomenergoprom umbrella). Grigoriev's responsibilities include serving as director of the Angarsk international enrichment center project. Grigoriev underlined to us that the Angarsk concept and the Global Nuclear Energy Partnership (GNEP) shared common goals. He said his main task as director of the Angarsk project was to "turn Putin's words into reality." He reported good progress toward that end, including recent moves to provide the Angarsk center's headquarters in Moscow with dedicated staff and budget. (Previously, he said, staff working on the Angarsk project had been on loan from other offices.)

14. (SBU) Tenex currently holds 90% of the ownership of the Angarsk center. Grigoriev told us Kazakhstan would likely put up the money to cover its ten percent stake by the end of the year. He noted that Kazakhstan may also provide supplies

of natural uranium for the center's operations. Grigoriev emphasized to us that Tenex was actively holding talks with other potential partners. He cited Armenia as the most likely next shareholder. He listed Ukraine, South Korea, Finland and Japan as among other prospects.

¶5. (SBU) Grigoriev told us that the equity stake for new shareholders would come from Tenex's 90% share. The goal is to take Tenex down, eventually, to 51%. Grigoriev confessed that Tenex was still working out the center's business plan. Tenex may, at least initially, subsidize the price of enrichment services to attract clients. Clients of the center do not necessarily have to become shareholders. However, Grigoriev explained that shareholders would be first in line for supplies and get a share of any profits.

IAEA/Nonproliferation Role Central

¶6. (SBU) Grigoriev underlined the importance of the IAEA's role. IAEA teams have been out to visit Angarsk. All activities, including delivery and disposal of fuel, would take place under IAEA safeguards. Russia and the IAEA would guarantee supplies and services from the center as long as the clients abide by IAEA requirements. Grigoriev said that to advance nonproliferation goals, Russia understood that the price for enrichment services had to be attractive. However, at least as important for potential clients -- he cited Vietnam or Indonesia as examples -- are guarantees from Russia and the IAEA regarding supplies.

Capacity in Angarsk: Not a Problem

¶7. (SBU) Grigoriev assured us that the Angarsk center has

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ample capacity to meet projected demand. A variety of experts with whom we have spoken in recent weeks -- including nuclear scientists intimately familiar with the facility -- agree. Kurchatov Institute Vice President Nikolay Ponomarev-Stepnoi told us that a major advantage of Angarsk from a non-proliferation perspective is that it is an existing national facility with spare capacity. He is convinced Angarsk has sufficient capacity to meet existing as well as projected demand for enrichment services. Nikolay Laverov, Vice President of the Russian Academy of Sciences (and a nuclear scientist), agreed that excess capacity at Angarsk was more than sufficient to meet demand. If future demand required, Laverov envisioned expanding capacity through outside participation. Anton Khlopkov, Executive Director of the Center for Policy Studies (PIR) told us he understood plans were underway to triple the enrichment capacity at Angarsk by 2015.

Comment

¶8. (SBU) The Angarsk initiative underlines Russian leadership in nonproliferation while opening up a potentially lucrative market in nuclear fuel services. There is momentum behind the project, although establishment of the center has likely been slowed by Rosatom's ongoing reorganization. Embassy is awaiting a reply from Rosatom on our request to visit the site the week of December 17.

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